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OPEN MEETING AGENDA ITEM

MEMORANDUM

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AZ CORP COMMISSION
DOCKET CONTROL

2014 DEC 2 PM 1 05

TO: Docket Control

FROM: Steven Olea, Director
Utilities Division

DATE: December 2, 2014

RE: **ADDENDUM:** IN THE MATTER OF THE APPLICATION OF CIBOLA
MUTUAL WATER COMPANY FOR APPROVAL OF A FINANCING
APPLICATION and IN THE MATTER OF THE APPLICATION OF CIBOLA
MUTUAL WATER COMPANY FOR APPROVAL OF A RATE INCREASE (Docket
Nos. W-04106A-14-0319)

On November 26, a Proposed Order from the Utilities Division was filed in the above dockets. There should have been an attached 2-page Schedule to the filing which was overlooked.

Therefore, please place the attached Schedule CLP-1 in the Cibola dockets, 14-0319 and 13-0266, as an addendum to both the Memo and Order.

Thank you.

Steven Olea, Director
Utilities Division

SMO/sms

ORIGINAL

Arizona Corporation Commission

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Cibola Water Company, Inc.
Docket No. W-04106A-14-0319
Test Year Ended December 31, 2012

Schedule CLP-1
Page 1 of 2

WIFA LOAN SURCHARGE CALCULATION - EXAMPLE

Loan Amount: **\$90,000**
Term: **20 Years**
Interest Rate Before Subsidy: **4.25%**
WIFA Subsidy Rate: **80%**
WIFA Interest rate: **3.500%** If interest rate is not found on TABLE A, use the next highest percentage

Step 1 - Find the Annual Payment on Loan

\$90,000 Total Amount of Loan
0.0696 TABLE A, Conversion Factor Table, Column B
\$6,263.56 Annual Principle and Interest Payment

Step 2 - Find the Annual Interest Payment on Loan

\$90,000 Total Amount of Loan
0.0344 TABLE A, Conversion Factor Table, Column C
\$3,096.00 Annual Interest Payment on Debt

Step 3 - Find the Annual Principal Payment on Loan

\$90,000 Total Amount of Loan
0.0352 TABLE A, Conversion Factor Table, Column D
\$3,168.00 Annual Principal and Interest Payment

Step 4 - Find the Gross Revenue Conversion Factor

1.610416894 From Payne Direct, Schedule CLP-1, Col. B, Line 7

Step 5 - Find the Incremental Income Tax Factor

1.61042 minus 1 = 0.61042

Step 6 - Find the Annual Income Tax Component of Surcharge Revenue

0.61042 Incremental Income Tax Factor (from Step 5)
\$3,168.00 Multiplied by: Annual Principal Payment on Loan (from Step 3)
\$1,933.80 Annual Income Tax Component of the Annual Surcharge Revenue

Step 7 - Find the Debt Service Component of the Annual Surcharge Revenue

\$3,096.00 Annual Interest Payment on Debt (from Step 2)
\$3,168.00 Plus: Annual Principal Payment (from Step 3)
\$6,264.00 Debt Service Component of the Annual Surcharge Revenue

Step 8 - Find the Annual Surcharge Revenue Requirement Needed for the Loan Including Reserve Fund

\$1,933.80 Annual Income Tax Component of the Annual Surcharge Revenue (from Step 6)
\$6,264.00 Plus: Debt Service Component of the Annual Surcharge Revenue (from Step 7)
\$1,252.71 Plus: Annual Reserve Fund Deposit [20% x Principal & Interest (From Step 1)]
\$9,450.51 Total Annual Surcharge Revenue Requirement for the Loan

Step 9 - Find the Equivalent Bills

Equivalent Bills				
Col A	Col B	Col C	Col D	Col E
Meter Size	NARUC Multiplier	Number of Customers	Number of Months in Year	Equivalent Bills Col B x C x D
5/8" x 3/4" Meter	1	157	12	1,884
3/4" Meter	1.5	2	12	36
1" Meter	2.5	0	12	-
1 1/2" Meter	5	0	12	-
2" Meter	8	0	12	-
3" Meter	15	0	12	-
4" Meter	25	0	12	-
6" Meter	50	0	12	-
		<u>159</u>		<u>1,920</u>

Step 10 - Find the Monthly Surcharge for the 5/8" x 3/4" Meter Size Customers

\$9,450.51 Total Annual Surcharge Revenue Requirement for the Loan (from Step 8)
1,920 Divided by: Total Number of Equivalent Bills
\$ **4.92** Monthly Surcharge for 3/4" Customers

Step 11 - Find the Monthly Surcharge for the Remaining Meter Size Customers

Equivalent Bills				
Col A	Col B	Col C	Col D	
Meter Size	NARUC Multiplier	5/8" x 3/4" Customers' Surcharge	Surcharge by Meter Size Col B x C	
5/8" x 3/4" Meter	1	\$ 4.92	\$ 4.92	
3/4" Meter	1.5	\$ 4.92	\$ 7.38	
1" Meter	2.5	\$ 4.92	\$ 12.31	
1 1/2" Meter	5	\$ 4.92	\$ 24.61	
2" Meter	8	\$ 4.92	\$ 39.38	
3" Meter	15	\$ 4.92	\$ 73.83	
4" Meter	25	\$ 4.92	\$ 123.05	
6" Meter	50	\$ 4.92	\$ 246.11	

Cibola Water Company
Docket No. W-04106A-14-0319
Test Year Ended December 31, 2012

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TABLE A
Conversion Factor Table (Based on a 20-year Loan)

Line No.	Column A Annual Interest	Column B Annual Payment Conversion Factor	Column C Annual Interest Payment Conversion Factor	Column D Annual Principal Payment Conversion Factor
1	3.50%	0.0696	0.0344	0.0352
2	3.75%	0.0711	0.0369	0.0342
3	4.00%	0.0727	0.0394	0.0333
4	4.25%	0.0743	0.0419	0.0324
5	4.50%	0.0759	0.0444	0.0316
6	4.75%	0.0775	0.0468	0.0307
7	5.00%	0.0792	0.0493	0.0299
8	5.25%	0.0809	0.0518	0.0291
9	5.50%	0.0825	0.0543	0.0283
10	5.75%	0.0843	0.0568	0.0275
11	6.00%	0.0860	0.0593	0.0267
12	6.25%	0.0877	0.0618	0.0259
13	6.50%	0.0895	0.0643	0.0252
14	6.75%	0.0912	0.0668	0.0245
15	7.00%	0.0930	0.0692	0.0238
16	7.25%	0.0948	0.0717	0.0231
17	7.50%	0.0967	0.0742	0.0224
18	7.75%	0.0985	0.0767	0.0218
19	8.00%	0.1004	0.0792	0.0211